

CRITICAL AREA

I. Taiwan Strait

- A. While Taiwan Strait remains potential trouble spot, tensions have relaxed since early '59.



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2. Communist Chinese propaganda statement which reports "determination to liberate Taiwan" does so in terms of nebulous future.
3. In recent months, Communist shelling of offshore has been moderate--usually less than 100 rounds on the days they fire.
4. China's garrison on offshore has been reduced from 90,000 to 75,000, but defenses augmented with increased artillery and tanks.
1. Nationalists generally refraining from provocative actions.
2. Fearing major uprising on mainland, Nationalists are expected to live up to their commitments to consult with U.S. before taking military action against mainland.

II. Sino-Indian Border

- A. For almost nine years, China and India have held conflicting border claims, but recent intensity of dispute stems from the Tibetan revolt.
1. Alarmed by Peking's actions in Tibet, New Delhi last spring looked to security of its northern borders and moved some frontier outposts closer to disputed McMahon line.

2. Concurrently, Chinese troops drove into area just north of line, determined to crush revolt and seal border.
3. On 26 August, Chinese patrol drove an Indian outpost from position New Delhi considers to be on its side of line, and border controversy flared into open dispute.
4. Indians and Chinese have increased troop strength near border but both have told outpost units to stop patrolling, thus reducing chance of further clashes, but there is no prospect for a quick settlement.
5. ChiCom moves have angered Indian populace, forced Nehru for first time to face up to threat from Peking, and made position of Indian Communists extremely difficult.

III. Berlin

1. While Berlin remains calm today, USSR can bring it to forefront at any time it wishes to create tension on the international scene.
2. Khrushchev has repeated in current speeches his threat to sign separate peace treaty with East Germany, "with all its ensuing consequences," but we think he would do this only if summit talks break down completely and, even then, as a last resort.

IV. Middle East

1. Iraqi anti-Communists dissatisfied with Prime Minister Qasim, but so far have been unable to remove him. Further plotting likely.

- B. Communist domestic position still strong, despite factionalism within Communist party.**
- C. Army remains most important basic element in situation; seems to be leaning away from Communists.**
- D. Externally, Qasbi seeking by propaganda and subversion to take advantage of Nasir's difficulties in Syria, where resentment of Egyptian domination and three poor crop years have made QAS a less popular concept.**
- I. Nasir not in deep and immediate trouble yet, but has not solved long-range problem of how to govern Syria; this could play into Iraq's hands.**

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- F. Shah of Iran adamant in refusal to broaden recent offer to Soviets to exclude foreign missile bases, while Khrushchev equally adamant in demanding exclusion of all foreign military bases from Iran.**
- G. The basic causes for dissatisfaction in Iran remain unchanged despite the Shah's reform attempts and reports of anti-regime plotting continue to be received.**

V. Laos

- A. Laos remains troublesome spot, even though Communist military dissidence has subsided.**

SECRET

1. New government was formed 7 January following forced resignation former old guard Premier Phoumi and one week of rule by five army generals.
2. Cabinet probably best that could be obtained under present conditions and, in view balanced composition, should ease strains between squabbling anti-Communist forces.
 - a. New Premier (Khoun Abbay) is respected older statesman.
 - b. Main function of new cabinet will be to prepare for national assembly elections later this year.
3. Communist dissidents retain considerable potential for guerrilla war of attrition on country wide basis.
4. Although anti-Communist young reformers disclaim any intention to force radical changes in policy a harder line toward Communists is possible.
5. A repressive government would stimulate Communists at home and abroad to take counter measures.

VI. Panama

- A. Anti-Americanism in Panama based on growing nationalism and on conviction that Panama has long been unjustly treated by US in Canal "partnership."
 1. Panama's demands for more economic benefits from Canal and for right to fly its flag in Canal Zone being used by political leaders to enhance election prospects next May.
 2. Attacks on US Canal Zone policies will probably continue throughout pre-electoral period.

SECRET

VII. Cuba

- A. Fidel Castro's rapid and drastic reforms have been accompanied by careful centralization of economic and political control in hands of few trusted confidants, many of them Communist-oriented.**
 - 1. Castro relies increasingly on this clique, although he would probably resist Communist efforts to control him if he were capable recognizing them.**
 - 2. Despite serious national economic dislocations, most lower classes are still supporting Castro.**
- B. Opposition from [] affected groups remains disunited and ill-defined with few indications of any tightening of the ranks or emerging leadership.**
- C. In support of his avowedly neutralist foreign policy, Castro now has four teams of diplomats and economists visiting the so-called neutral underdeveloped nations of the Middle East, Africa, Southeast Asia and Latin America. Purpose of visits is to convene a []-type conference in Havana later this year.**
 - 1. Cuban Foreign Minister had three interviews with Nasser in Cairo this past week and has announced that Nasser and Fidel Castro will exchange visits--no dates given.**
- D. There are increased contacts between Cubans and Chinese Communists. We believe that Castro will probably renew relations with the Soviet Union and recognize Communist China during the coming year.**

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